

Message Text

CONFIDENTIAL

PAGE 01 KUWAIT 01124 080838Z

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ACTION SS-25

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P R 080730Z MAR 76
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC PRIORITY 4847
INFO AMEMBASSY CARACAS
AMEMBASSY JIDDA
AMEMBASSY LONDON

C O N F I D E N T I A L KUWAIT 1124

EXDIS

E.O. 11652: GDS
TAGS: ENRG, KU
SUBJECT: KUWAIT OIL COMPANY TAKEOVER AGREEMENT:
RESERVATION OF U.S. RIGHTS

REF: 75 KUWAIT 4462, STATE 36469.

1. EMBASSY HAS REPORTED (SEPTTEL) KUWAIT NATIONAL ASSEMBLY FORMAL APPROVAL KUWAIT OIL COMPANY TAKEOVER AGREEMENT. AS NOTED IN THAT REPORT, ASSEMBLY ALSO APPROVED REPORT OF FINANCE AND ECONOMICS COMMITTEE WHICH MADE CERTAIN RECOMMENDATIONS INCLUDING THAT 15 CENT PER BARREL DISCOUNT FOR GULF AND BP BE DROPPED. OIL MINISTER KAZEMI PROMISED TO GIVE ASSEMBLY RECOMMENDATIONS CAREFUL CONSIDERATION, BUT WE DOUBT HE WILL ACT TO ELIMINATE 15 CENT DISCOUNT. AS FAR AS WE CAN TELL, GULF/BP-GOK AGREEMENT AS NEGOTIATED NOW FULLY AND LEGALLY VALID IN KUWAIT.

2. WE RECOMMEND DELAY IN APPROACHING GOK RE RESERVATION OF OUR INTERESTS. CONSIDERATION IN ASSEMBLY, PARTICULARLY FINANCE AND ECONOMICS COMMITTEE, THOUGH NOT HOSTILE, CLEARLY SHOWED LIMITED AND CAUTIOUS APPROVAL OF AGREEMENT. GOK, PARTICULARLY IN LIGHT OF LEGISLATIVE RECOMMENDATIONS, WILL NOT BE GIVEN COMPLETELY FREE HAND WHERE
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PAGE 02 KUWAIT 01124 080838Z

BASIC OIL POLICY QUESTIONS ARE INVOLVED. NATIONAL ASSEMBLY

WILL INSIST ON KEEPING TABS ON MAJOR OIL DEVELOPMENTS AND THIS ADDS TO THE DELICACY OF THE SITUATION AS FAR AS GOK IS CONCERNED. WE ALSO UNDERSTAND ARAMCO TAKEOVER AGREEMENT IS LIKELY TO BE ANNOUNCED SOON. DEPARTMENT MAY WISH TO TIME ANY DEMARCHE WE MAY BE MAKING TO SAG WITH THAT TO GOK, OR AT LEAST TO TAKE FRESH LOOK AT DEMARCHE TO GOK IN LIGHT OF SAUDI SITUATION. EMBASSY ALSO NOTES DEPARTMENT WANTS TO DISCUSS AGAIN WITH GULF PROPOSED FORMAL NOTICE TO GOK OF RESERVATION OF RIGHTS.

3. WE CONFESS WE REMAIN LESS CERTAIN THAN DEPARTMENT OF NEED FOR FORMAL NOTICE AND THAT USG IS ON SOLID LEGAL GROUND. ABSENCE OF BRITISH ACTION APPEARS WEAKEN OUR CASE. WE, THEREFORE, UNEASY OVER HOW GOK WILL REACT. LIKE AMBASSADOR STOLTZFUS, WE THINK WE MAY BE ABLE TO REGISTER IN OTHER WAYS OUR RESERVATION OF RIGHTS WITHOUT UNDULY CAUSING NEGATIVE AND DAMAGING REACTION ON PART OF GOK. GIVEN OVERRIDING USG INTERESTS EXTENDING BEYOND KUWAIT, WE RECOGNIZE FORMAL RESERVATION OF INTERESTS MAY BE NECESSARY. HOWEVER, WE CONTINUE TO BELIEVE MEASURE OF CAUTION SHOULD BE OBSERVED IN IMPLEMENTING DECISION TO MAKE DEMARCHE. SUGGEST, THEREFORE, THAT MATTER AGAIN BE CAREFULLY REVIEWED. DEPARTMENT MAY WISH TO CONSIDER ASKING NEW AMBASSADOR TO MAKE DEMARCHE AFTER HE HAS BEEN HERE AWHILE, PREFERABLY AFTER NATIONAL ASSEMBLY RECESSES FOR SUMMER.

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